RETURN

(124)

To an Address of the House of Commons, dated the 10th February, 1913, for a copy of the memorial presented to the Government during the session of 1911-12 by a delegation from the Government of Prince Edward Island, asking for an increased provincial subsidy, a copy of which memorial was laid on the table of the House by the Finance Minister last session of Parliament but is not now apparently on the files of the House.

LOUIS CODERRE,

Secretary of State.

To His Royal Highness the Duke of Connaught and Stratheam, Governor General of Canada in Council:

We, the undersigned delegates, appointed by the Government of Prince Edward Island to present to Your Royal Highness in Council the claims of that province against the Government of Canada, respectfully submit:—

That Prince Edward Island entered confederation on the first day of July A.D.

1873.

That it was the intention of the founders of Confederation to provide for each province, from the federal revenues, a sum sufficient to enable each province to manage its local affairs without resort to direct taxation. The services assumed by the Dominion together with the subsidies were intended as an equivalent to each province for its surrendered customs and excise duties.

The negotiations preliminary to Confederation disclose this intention. Hon. George Brown, speaking in the Legislature of Canada, in 1865, stated the attitude of

the Lower Provinces on this question thus:-

'The objections (i.e., to direct taxation) moreover were not confined to Lower Canada. All the Lower Provinces stood in exactly the same position. They have not a municipal system such as we have discharging many of the functions of the government, but their general government performs all the duties which in Upper Canada devolve upon our municipal councils as well as upon Parliament. If then the Lower Provinces had been asked to maintain their customs duties for federal purposes, and to impose on themselves by the same act direct taxation for all their local purposes, the chances of carrying the scheme of union would have been greatly lessened'

Hon. John H. Gray, the historian of Confederation, himself a delegate to the several preliminary conferences (p. 55 et seq.): 'In several provinces municipalities were not established, direct taxation was unknown. It was absurd therefore to suppose that the delegates from these provinces would consent to any propositions for union that did not make adequate provisions for meeting the exising wants and contributions to which their people had been accustomed. It was equally hard to make the representatives of the people of Upper Canada understand that that was right.

In vain was argument used. It amounted to nothing. Unless some compromise could be effected, the discussion about union might as well cease. Subsidies were proposed. The expenses of each local government were in calculation. The general government assumed the burden of every expenditure that could possibly be considered of a general character; but still, as the distribution was to be by population, the province of Upper Canada would receive what it did not want, while the others would not get what they did want. Agreement seemed hopeless, and on or about the tenth morning after the convention met, the conviction was general that it must break up without coming to any conclusion. The terms of mutual concession and demand had been drawn to their extremist tension, and silence was all around.'

The deadlock was broken by the compromise that the per capita subsidy to Ontario and Quebec should be based upon the population as shown in the census of 1861, for all time, whilst the other provinces should be paid upon their actual population up to the limit of 400,000. It is instructive to note the understanding which Prince Edward Island had of the confederation proposals. The resolution of the Island Legislature passed May 2, 1873, hereto annexed marked 'A' declares this in explicit terms.

Sir Louis H. Davies, then a member of the Provincial Legislature, estimated that under Confederation, the annual revenue of the province would amount to \$222,320.02, with an expenditure of \$205,216.71, giving a surplus of \$17,103.31.

Hon. David Laird and Hon. J. C. Pope were somewhat less sanguine, but the debates of 1873 on the Confederation proposals show that the whole question on the financial terms was whether or not the subsidies would be sufficient to maintain the local government services without having resort to direct taxation, and when the terms were finally settled it was upon the understanding that the subsidies would be adequate to that end.

What was the financial position of Prince Edward Island on the 30th June, 1873?

The debt of the island, exclusive of the railway debt, was more than offset by the balance due on lands purchased by the Government from the proprietors, cash loaned to tenants, and other assets, all of which were subsequently converted into cash and used as ordinary revenue.

In 1873 this island as a separate colony was one hundred years old. Its population had doubled in the last thirty years with an increasing ratio. Its revenues were doubling every 12 years. It had constructed suitable public buildings, wharves, roads, breakwaters, lighthouses, and other public works, equipped a stock and experimental farm, and was building up manufacturing industries of many kinds.

In relation to its size, there was no more progressive community in British North America.

All this had been done under a customs and excise tax not exceeding \$3.10 per capita.

By the Confederation agreement, the island surrendered to Canada the control of its customs and excise, and immediately became liable to a taxation of \$5.05, an increase of \$1.95 per capita, or a total increase of \$190,000 per annum—sufficient to have enabled it to finance the railway and to carry on the other services efficiently.

Thus, at the outset, Canada exercised its taxing power over this island to the amount of \$5.05 multiplied by 97,000, equalling \$489,850. In return Canada assumed the performance of services which were then costing this island \$143,000 per annum, and to pay subsidies amounting, when adjusted, to \$191,052, the two items totalling \$334,052.

The financial balance was thus against this province from the first, to the amount of at least \$150.000 per annum.

The following financial statement shows in a general way—

How the Province fared in Confederation.

	Overado taxes difeonected	\$2,505,680
	(as per audit of Messrs, Rossborough and Dench) less overdue taxes uncollected	
4.	Debt and liabilities of province 2nd December, 1911	
	and used as ordinary revenue	
3.	Capital withdrawn from credit of province at Ottawa,	
	Page XIII. of Public Accounts, 1911	782,403
	realized upon, and used as ordinary revenue.—See	
2.	Money borrowed for purchase of lands which were since	
1.	Assets of the province in 1873, since realized upon	\$515,036

In the same period there has been collected in land income and other direct taxes, the sum of \$1,190,224. A small part of this money was used in the construction of an insane asylum, an infirmary and other necessary public buildings, but no revenueproducing asset of the province has resulted from its expenditure. Except as above stated it has been used as ordinary revenue.

The situation in the province in relation to revenue from Canada and total

expenditure is as follows:-

Subsidies for 1911	
" at confederation	191,002
Increase	\$81,129
Expenditure for 1911 \$416,631	
Expenditure for 1873	
Increase	178,945
	\$97,816

The gulf between revenue and expenditure is, therefore, \$97,816 wider than it was at the time of Confederation.

Cost of Government not Excessive.

The average cost of legislation at the time of Confederation was \$16,000 per annum approximately. Since 1893 the average cost has been less than \$9,000. The sessional indemnity of members is \$200. The number of heads of departments has been reduced from four to three, and the salaries reduced from \$1,600 to \$1,200 each. Generally speaking, the salaries paid clerks and other minor officials do not exceed one-half of those paid by the Dominion for similar services. Further reduction is impracticable.

Your memorialists contend that the present unfortunate financial condition of this province is due to two principal causes: (a) The failure of Canada to provide continuous commuunication with the mainland; (b) The insufficiency of the sub-

sidies to meet the purposes intended.

It must be borne in mind that in surrendering to Canada the tariff-making power this island placed in the hands of Canada the direction and control of its commercial and industrial development—diverted to Canadian channels the independent lines of trade which this island had established, and thereby made its future welfare depend so much the more upon continuous communication with the mainland of Canada.

What this island has lost by the non-fulfilment of the terms of union cannot be exactly computed. Over twenty years ago a claim was made for financial damages amounting to \$5,000,000 which was agreed by both parties in the Legislature not to be excessive. Under the pressure of immediate need, this claim was the added wrongs of the intervening years was sold out in 1901, by the local government, for a paltry subsidy of \$30,000, which certainly did not measure one-fifth part of the actual financial loss, while for the arrested development of the province, in which 'Time lost is forever lost,' and for the consequent loss of population no compensation was given. This may be described as:—

Claim No. 1.—Damage for non-fulfilment of the terms of union in respect to 'Continuous Communication.'

This claim was settled up to the year 1901 by the grant of a subsidy of \$30,000 per annum, and the present claim is from the year 1901 to the present date. During this period the province has suffered grievously. For example, in the year 1902-3, there were 45 days on which no trips were made and thirty-three days on which half trips only were made by the winter boats. In 1904-5, there were fifty-four days on which no trips were made, and nineteen days with half trips only. For twenty-one days no mails were received from any quarter. In 1906-7 there were thirty-five days with no trips and twelve days with half trips. The annexed schedule A shows in detail the record of each year.

Great as is the loss from such interruptions of communication, it is small compared with that caused by the uncertainty that continually hangs over the winter service. The possibility of failure is always staring us in the face, and paralyzing the energies of our people. Shippers from this island of perishable produce, such as fish and meats, were ruined by these disastrous years, and the general losses were very great in the aggregate.

This province would not have entertained a proposal to surrender its fiscal independence and to change the currents of its trade, were it not for the undertaking of Canada to provide continuous communication with the railway system of the Dominion. The failure to carry out this contract is responsible in a large measure for the reduction of our population, which involves all losses.

It is submitted that the first earnest and practical attempt by the Federal Government to carry out its contract with the island is to be found in the undertaking by the present Government to construct a car ferry, which it is sincerely hoped may be the means of bringing to an end this long continued grievance.

Claim No. 2.—Compensation in respect of the public lands of Canada actually transferred, or proposed to be transferred, to certain provinces of Canada.

It is submitted that each province in Canada has a beneficial interest in those lands, in the nature of a partnership interest. At Confederation this province assumed its proportion of the debt arising from the purchase, and has since that time contributed its share to every expenditure necessary to equip these territories for settlement.

Any gift for those lands to any province or provinces without compensation to the others is so manifestly unjust as to require no argument. The United States of America is possibly the only other country affording a precedent. There the proceeds of the lands sold went to the federal treasury, and where gifts of lands were made to the states organized out of the purchased territories, equivalent gifts were made to all the other states, amounting to 30,000 acres of land for each Representative and Senator in Congress. This grant was applied to the purpose of establishing agricultural and mechanical institutions. In the case of the states in which the Federal Government held sufficient public lands for the purpose, the land grant was located in that state. In the other cases scrip was issued for public lands outside of the state to be benefited. The result of that every state in the union has established a college and received its quota of land and scrip. It is claimed on behalf of Prince Edward

Island that it has a right to receive its proper proportion of the public demesne, or an equivalent therefor.

- Claim No. 3.--In respect of the Prince Edward Island Railway.

In the adjustment of the debt account between this province and Canada, this island was charged with the sum of \$3,144,000 expended by the province on the construction of the road, and at the same time the road was transferred to Canada.

The transaction was carried out in this form: Canada paid at maturity the debentures which had been issued by the provincial government to meet the cost of the

read; then charged the province with the amount and took over the road.

It is claimed that the cost of operation of this road is in excess of the receipts, but on the other hand no credit is given to this railway for the large amount of traffic it supplies to the Intercolonial Railway. In fact, almost all the export traffic originating on the Prince Edward Island Railway is carried to Pictou and Pointe du Chene, and there transferred to the Intercolonial Railway. The greater part of this

traffic would otherwise be sea-borne directly to its destination.

In 1873 it was estimated that the expenditure of Canada upon railways and canals would not exceed \$79,000,000, and on this estimate the balance of the debt was computed. When it is consented to allow Canada to charge as part of the provincial debt the cost of the railway, and forthwith presented it to Canada, it was not contemplated that the further expenditure on railways and canals on the mainland should amount to over five hundred million dollars in excess of the estimate. The system of constructing provincial railways, or subsidizing the same, was then still in the future. The enormous increase of federal taxation was not even dreamt of. The complete change in the railway policy of Canada since 1873 justifies the claim of this province to be indemnified in respect of the cost of this railway, which was given to Canada, upon the assumption that the railway policy of Canada was then settled. Since that time a railway has been built by Canada in the neighbouring island of Cape Breton at a cost of \$3,800,000.

In accordance with the railway policy carried out in Canada in recent years, a private company constructing such a railway as that in Prince Edward Island would receive a subsidy of from \$3,200 to \$6,400 per mile, and would then own the road.

This island received nothing, and gave the road away.

Claim No. 4.—An allowance for the difference between the estimated expenditure upon railways and canals of Canada since Confederation and the amount actually spent thereon.

When the Confederation terms between this province and Canada were settled, it was upon the basis of a total estimated future expenditure by Canada upon rail-

ways and canals of seventy-nine million dollars.

This claim was adjusted by the Government of Canada up to the year 1887 by the grant of an additional subsidy of \$20,000 per annum. The grounds for this settlement are set forth in the Report of the Committee of the Privy Council, approved on the 22nd March, 1887, and subsequently ratified by Parliament.

It is submitted that the further expenditure by Canada since the date of said additional subsidy, after taking into account the expenditure made in the extension of the Prince Edward Island Railway, should constitute a ground for compensation to this province.

Claim No. 5.—An equivalent for the increased subsidies granted to the larger provinces to meet the increased cost of education, public works, asylums, agriculture, charities, &c., under the amendments to the British North America Act, 1907.

By the re-arrangement of subsidies this province received an increase for government and legislation slightly below the proportionate increase granted to all the other provinces, but the changes made in respect to the payment of per capita subsidy to meet the increased cost of the services mentioned in this claim conferred

no benefit upon this province, although it was equally entitled to receive it, and urgently needed it, as the following statement shows:—

Statement showing increase of expenditure by the government of Prince Edward Island, since 1873, in certain departments:—

	1873.	1911.	Increase.
Education	\$59,194 83	\$126,483 35	\$67,288 52
Public roads and ferries	18,301 86	41,874 41	23,572 58
Bridges	23,267 81	28,761 94	5,494 13
Lunatic asylum, poor			
house and paupers	11,614 56	51,483 12	39,868 56
Agriculture	2,982 44	8,705 46	5,722 02
Jails	885 73'	4,898 69	4,012 96
Total increasc			\$145,958 77

Under the above heads the increase at the time of the re-arrangement of subsidies in 1907 was \$128,000. The increased rate of Dominion taxation and the requirements of the provincial services were arguments advanced in favour of the increase of the per capita subsidy. By the removal of the limit of the population upon which this subsidy was payable, all the other provinces either immediately or prospectively obtained the relief sought, but in the case of Prince Edward Island, owing to its limited area and other causes, the plan worked out no remedy while imposing an additional burden in respect to its population of the cost of the benefits conferred upon the larger provinces.

The following table shows how the scheme for the per capita increase has worked out up to the present time:—

O								4002 011	0.0
Ontario, an inc	erease	oi	 	 	 	 	 	\$901,644	80
Quebec	66	-	 	 	 	 	 	672,914	80
Nova Scotia	66		 	 	 	 	 ,	73,870	20
Manitoba	66			 	 	 	 	44,491	20
Saskatchewan	66		 	 	 	 	 	73,945	60

The other large provinces will soon come within the benefits of this amendment, but no such hope exists for this province.

It is true that this province was represented by delegates at the conference which settled upon this plan, and that they consented to it, but it is urged that their failure to guard its interests should not be regarded as a justification for perpetuating an injustice.

In order to bring this island within the benefits from which it has been excluded as above set forth, some other plan would require to be devised, and it is submitted that this might be done on the basis of the claim next set forth.

Claim No. 6.—The payment of the subsidies and the fixing of the unit of representation upon the basis of an assumed population of at least 180,000.

The history of Confederation shows that this was a method frequently employed, and in no instance did such cogent reasons exist for its exercise as in the present case.

The population of Manitoba in 1881 was 62,260. In 1882, in pursuance of 45 Vic., cap. 5, the subsidy was paid upon an assumed population of 150,000. Several such advanced estimates of population were made from time to time, until as late as 1904 by Order in Council an assumed population of 350,000 was given though the actual population by the census of 1901 was only 255,211.

British Columbia also was paid subsidies upon an assumed population much greater than the actual number. Alberta and Saskatchewan were launched into Confederation with an assumed population for each 250,000, though the actual population of both provinces combined, according to the last preceding decennial census, was 164,307.

The quinquennial and intermediate census allowed to the three prairie provinces as the basis for payment of subsidies were all concessions from the rule of the decennial census, that confers a benefit of like nature.

From the year 1841 to 1871 the population of this Island had increased from 47,034 to 94,021. At the same rate of increase it would amount to 97,153 when it entered into Confederation. Continuing at the same ratio it would in 1911 have amounted to 219,000. It is now 93,722, being 3,431 less than it was at the time of Confederation. Newfoundland is a colony whose natural conditions were never so favourable as those of Prince Edward Island. From its earliest history down to 1873, its ratio of increase of population had always been lower but from 1874, when its census was taken to 1911, its last census, it has increased from 161,374 to upwards of 240,000.

It is true that the population of Prince Edward Island continued to increase until 1891, but at a steadily diminishing ratio; then the decline began, and still continues at an acceelerating rate. One unfortunate result of the exodus is that the infirm in mind and body are left as a charge upon the dwindling population. The cost of the maintenance of the insane and poor has grown since 1873 from \$11,614 to \$51,483 per annum, while the number has more than trebled. The paucity of the rural population does not reduce the cost of education, nor the requirements of the public roads, but it does gravely increase the difficulty of properly maintaining them.

It is the opinion of your memorialists, almost unanimously supported by the people of our province, that Confederation had caused the destruction of the industries of the island, and has driven those formerly engaged therein to other lands. Had the island remained out of Confederation, it could have guarded these industries and developed its trade along the lines which it had established, but by surrendering to Canada its power to regulate its own tariff, its established trade routes were broken up, its business turned into Canadian channels, its industries so heavily weighted in the race with rivals who enjoyed the advantages of continuous connection with the transportation facilities of the mainland, that they have almost become extinct.

It is useless to talk of further taxation upon a diminishing population. What is necessary for the financial redemption of the province is to improve existing conditions, not to make them more burdensome.

Prince Edward Island has always borne its full proportion of the burdens of Canada, while sharing to a very small degree into the advantages of Confederation.

The National Policy, under which Canada generally has achieved such splendid development, has not extended its benefits to the industries of the province, for the reasons above set forth. The proportionate contribution of this province to the revenues of Canada amounted to \$1,181,052 in 1911, computing it at the average rate, but your memorialists claim that it is much larger, by reason of the almost total extinction of the manufacturing industries within the island and the consequent large importation of dutiable goods. But even at the average rate this province nows pays to Canada in taxes more than three times as much as was required for all its public services at Confederation.

The promised car ferry, it is confidently expected, will open a new era of hope and enterprise throughout the province, and will for the first time make it an integral part of the Dominion.

But in order to enable this province to take full advantage of the boon thus offered it is necessary that its depleted revenues be restored, and the wrongs under which it has suffered be righted so far as they are capable of being righted by financial aid.

It is further submitted that Canada with its abounding revenues can now well afford the necessary relief, but cannot afford to permit its smallest province to be crushed under the burden of debt which now lies upon it.

The claim of the province to a share of the Fishery Award is presented separately.

Other claims are reserved for future presentation.

Your memorialists therefore pray that Your Royal Highness in Council may be pleased to take into consideration the circumstances above set forth, and all other matters in question between this province and Canada, requiring adjustment to the end that justice may be done.

Dated this 17th day of February, A.D. 1911.

(Sgd.) JOHN A. MATHIESON,
Premier and Attorney General of Prince Edward Island.

JOHN McLEAN,

Member of the Executive Council of Prince Edward Island.

AUBIN E. ARSENAULT,

Member of the Executive Council of Prince Edward Island.

Schedule 'A.'

FRIDAY, May 2, 1873.

And Mr. A. C. Macdonald reported that the Committee had come to a resolution which resolution was again read at the Clerk's table, and is as follows:—

Whereas, the question of Confederation of this island with the Dominion of Canada having formed the subject of negotiations between the Dominion of Canada and the late Executive Council of this colony, the correspondence interchanged between His Excellency the Governor General and His Honour the Lieutenant Governor of this island, and the minutes of the Privy Council of Canada and this island, embodying certain terms and conditions relating to the proposed union, having been officially laid before the House are duly considered, the House is of opinion that said terms and conditions do not secure to this colony a sum sufficient to defray the ordinary and indispensable requirements of its local government, and are by no means equivalent for the revenue present and prospective which it would be called upon to surrender to the Dominion; and whereas the strong objections hitherto entertained by the people of this island to Confederation, having been much modified, and the present House of Assembly feeling anxious to meet the desire of Her Majesty's Imperial Government, to unite under one government all the British possessions in America, is willing in good faith and loyalty to merge the interests of the inhabitants of Prince Edward Island with those of their fellow subjects, in the Dominion, on terms which are just and reasonable, and such as will not involve the people of this island in direct local taxation for objects for which the ordinary revenue has hitherto enabled them to provide.

Resolved, therefore, that this House being most desirous to secure to the people of Prince Edward Island, on entering the union, just and reasonable terms, do hereby authorize His Honour the Lieutenant Governor to appoint delegates to proceed at once to Ottawa to confer with the Government of the Dominion of Canada on this great and important subject, with a full confidence that the terms to which they will agree, will be such as will insure their immediate and unqualified ratification by the Legislature of this Colony.

Schedule 'B.'

Record showing number of days on which 'No trip' was made by steamers Minto and Stanley, and days on which half trips were made by one of them only.

1902.

1903.

January	14th to 15th	Half trips only.
6.6	19th to 24th	66 66
		66 66
February	2nd	66 66 66
6.6	3rd to 10th	No trips.
6.6	11th to 12th 2 "	Half trips only.
6.6	13th to 25th	No trips.
6.6	26th	
6.6	27th to 19th March	No trips.
March	20th and 21st	Half trips only.
66	22nd	
66	31st	-
April	2nd and 4th 2 days.	
	7th and 8th	
6.6	9th and 11th 2 "	

1904.

December 12, 13, 14, 18, 24 and 28.... 6 days. Half trips only.

1905.

January	4, 5, 18, 19 and 23 5 days.	Half trips only.
6.6	24th to 2nd March	No trips.
March	3rd and 4th	
6.6	5th to 12 8 "	No trips.
66	13th	Half trip only.
66	14th to 16th	No trips.
6.6	17th to 18th	Half trips only.
66	19th to 21st	
6.6	22nd and 23rd	Half trips only.
66	28th	No trip.
66	29th	
April	4th and 5th	

1907.

February	2nd	.: 1 day.	Half trip only.
6.6	5th		
66	5th and 6th		4
6.6	7th		
6.6	18 and 19th		
66	25th to 4th March		
March	5th to 17th		66
6.6	18th and 19th		No trips by "Stanley".
6.6	20th to 25th	6	No trips by either.
April	2nd and 3rd		56
66	5th	1 day.	Half trip by "Stanley".
66	6th to 10th		A 0
6.6	7th		THE TOTAL CONTRACTOR OF THE PROPERTY OF THE PR
66	9th and 10th		66
124—			

1907-1908.

Minto.

December 3, 1907 to January 8, 1908	 Charlottetown to Pictou.
January 9, 1908 to March 31, 1908	 Georgetown to Pictou.
February 12th and 13th	 Stopped by ice.

Stanley.

December 7, 1907 to January 8, 1908	Charlottetown to Pictou.
January 9, 1908 to March 31, 1908	Georgetown to Pictou.
February 12th and 13th	Stopped by ice.
March 11th to 13th	Stopped by ice.

1908-1909.

Minto.

December 14, 1908 to December 26, 1908 Charlottetown to Pictou.
December 27, 1908 to March 31, 1908 Georgetown to Pictou.
January 30 to February 3, 1909 Stopped by ice.
February 25, 1909 Stopped by ice.
March 23 to March 27, 1909 Stopped by ice.

Stanley.

December 21, 1908 to December 25, 1908 .. Charlottetown to Pictou. December 25, 1908 to March 31, 1909 . . . Georgetown to Pictou.

1909-1910.

Minto.

December 31, 1909 to January 4, 1910	Charlottetown to Pictou.
January 4 to March 14, 1910	Georgetown to Pictou.
March 16 to March 30, 1910	Charlottetown to Pictou.
January 11 to 26, 1910	Detained by severe storm.

Earl Grey.

December 30,	1909 to January 18, 1910	Charlottetown to Pictou.
January 18th	to January 25th	Georgetown to Pictou.
January 18th	until opening of navigation	Charlottetown to Pictou.
Missed two	trips on account of severe	storm.

1910-1911.

Minto.

December 20, 1910 to January 11, 1911 Ch	arlottetown to Pictou.
January 11 to March 31, 1911 Ge	
January 28th	
February 3rd and 4th	66
February 7th and 8th	66
February 13th to 17th	£ € € €
February 20th to 25th	66 66
March 1st	66
March 6th to 10th	66 66
March 15th	66

Earl Grey.

Liute Greg.
December 17, 1910 to January 26, 1911 Charlottetown to Pictou.
January 26th to April 8th Georgetown to Pictou.
April 8th to May 1st
February 8th Stopped by severe storm.
February 15th Stopped by snow.
February 16th
February 20th
repruary zist
February 28th snow.
March 6th
March 8th
April 1st
February 20th